OUR METRICSTREAM JOURNEY

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2015 - Case Study

MetricStream

GRC

SUMMIT **2015**

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A R L I N G T O N ,   V A
WASHINGTON, DC AREA

Maximize Business Performance Through GRC Journey

Agenda

1. Organization Overview: Vision and Key Facts

2. Organizational Structure: Lines of Business and Key Stakeholders

3. Business Challenge Identification: Top Challenges Facing Organization and Industry

4. GRC Program Objectives and Strategies

5. Overcoming Business Challenges

6. Technology as an Enabler

7. Successes and Benefits

8. Key Learnings and Best Practices

9. Audience Questions and Discussion

Company/Organization Overview

BAE Systems plc

- 83,400 employees
- 2014 sales of £16.6bn ($27.4bn**)
- 2014 order book of £40.5bn ($66.7bn**)
- Third largest global defense company
- Top 10 U.S. prime contractor
- Five key markets
- Presence in more than 100 nations

BAE Systems, Inc.

- Approximately 33,700 employees (approximately 30,000 in the U.S.)
- 2014 sales of approximately $10.5bn
- Major operations in 38 states, the UK, Sweden, Israel, and South Africa
- A U.S. company chartered in Delaware

Defense News Top 100
Based on 2013 Revenues ($B)

£ (000s)
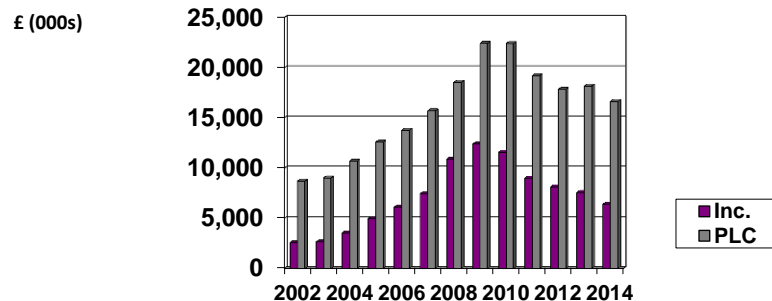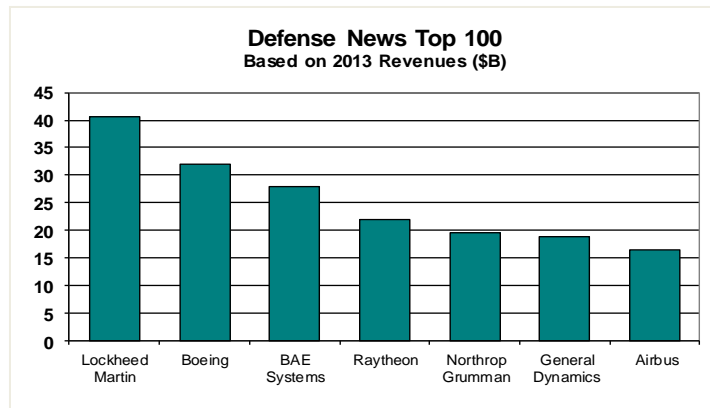
** US$ equivalent calculated using the 2014 average exchange rate of $/£ = 1.647, denoting sales and orders throughout the year

Company's 2015 Strategic Framework

Our vision is to be the premier international defence, aerospace and security company

Our mission is to safeguard and enhance our customers' vital interests and deliver sustainable growth in shareholder value

Our strategy
— Maintain and grow our defence businesses
— Continue to grow our business in adjacent markets
— Develop and expand our international business
— Inspire and develop our people to drive success
— Enhance overall financial performance and competitive positions

Strategic objectives

Continuously improve efficiency and competitiveness	Continue to drive value from our defence platforms and services	Accelerate the growth of our cyber, intelligence and security business	Continue to win new international orders	Continue to grow our electronic systems business	Leverage our technology and engineering capabilities

Our values are Trusted, Innovative and Bold

Maximize Business Performance Through GRC Journey

Business Challenges Faced

Budget Control Act of 2011 – Cut $487bn from defense spending over the next ten years. The act also paved the way for *sequestration*, which slashed an additional $495bn from the defense budget, for an overall total of almost $1 trillion in cuts.

- Challenges related to People: *Reduced Workforce*

- Challenges related to Processes: *Efficient & Effective*

- Challenges related to Systems: *Economy of Scale*

- Challenges related to Resources: *Constrained Resources*

Recent Consent Agreements – Compliance Remedial Actions

Esterline Technologies Corporation March 2014 $20M ($10M for remedial actions)	Raytheon Company April 2013 $8M ($4M for remedial actions)	Meggitt-USA, Inc. August 2013 $25M ($22M for remedial actions)	Aeroflex, Inc. August 2013 $8M ($4M for remedial actions)	United Technologies Corporation June 2012 $55M ($20M for remedial actions)
• Ensure adequate resources dedicated to ITAR compliance • Appointment of an outside Special Compliance Officer (SCO). • Two compliance audits conducted by outside consultant firm. • Strengthen compliance policies, procedures, and training program • Review and verify product jurisdiction for all company-wide products. • Establish clear career paths and compensation for export professionals.	• Ensure adequate resources dedicated to ITAR compliance • Appointment of an outside Special Compliance Officer (SCO). • Semi-annual status reports to State Department on ITAR compliance program (enhancements and resources levels). • Two compliance audits conducted by outside consultant firm. • Implement an automated export compliance systems. • Strengthen compliance policies, procedures, and training program. • Ensure best practices are implemented across the company. • Review and verify product jurisdiction for all company-wide products.	• Ensure adequate resources dedicated to ITAR compliance • Appointment of an Internal Special Compliance Officer (ISCO). • Semi-annual status reports to State Department on ITAR compliance program. • Outside consultant firm to review 3-years of audit reports and CAP. • Additional audits may be required by outside consultant firm. • Implement an automated export compliance systems. • Strengthen compliance policies, procedures, and training program • Ensure best practices are implemented across the company. • Promote and publicize internally a program for reporting ITAR violations without fear of retribution.	• Ensure adequate resources dedicated to ITAR compliance • Appointment of an Internal Special Compliance Officer (ISCO). • Semi-annual status reports to State Department on ITAR compliance program (enhancements and resources levels). • Two compliance audits conducted by outside consultant firm and/or internal committee. • Implement an automated systems for tracking tech data transfers and initial agreement transfers. • Promote and publicize internally a program for reporting ITAR violations without fear of retribution • Develop compliance. policies, procedures, and training program • Ensure best practices are implemented across the company. • Review and verify product jurisdiction for all company-wide products.	• Ensure adequate resources dedicated to ITAR compliance • Appointment of an outside Special Compliance Officer. • Semi-annual status reports to State Department on ITAR compliance program (enhancements and resources levels). • Promote and publicize internally a program for reporting ITAR violations without fear of retribution • Two compliance audits conducted by outside consultant firm. • Implement an automated systems for tracking tech data transfers. • Strengthen compliance policies, procedures, and training program. • Ensure best practices are implemented across the company. • Conduct product classification for all company-wide products.

Penalty periods range from 2-4 years.

Overcoming Business Challenges

Technology as an Enabler

Enterprise-wide solution(s) supporting a diverse business portfolio, wide user-level base with varying access requirements, and reporting needs. *Compliance ≠ Enabler*

- MetricStream Solution Areas
  - Matter of Interest (MOI) & Voluntary Disclosure Capture and Reporting (***EXISTING***)
  - Internal International Trade Compliance Risk Mitigation Audit/Review Plan (***NEW***)
- Key Solution Functionality
  - Design a custom enterprise-wide module, based on defined user requirements, that allows for the automated workflow processing and record management for reportable international trade infractions that give rise to a voluntary disclosure submission to the U.S. Government.
  - Introduce a Commercial Off-the-Shelf (COTS) application; having tailored system configurations to support the internal audit/review life-cycle record management; questionnaire and document management; status monitoring; assignment and tasks scheduling; and report distribution in a single configurable workflow tool shared between the corporate office and business entities. The tool's functionality allows for the sharing and review of key documents throughout the work-cycle.

Contd…

Technology as an Enabler

Implementation Strategy and Tactics

- **Implement an enterprise-wide automated export compliance systems**
    - Review and define user requirements;
    - Establish contractual agreement
    - Establish viable and agreed upon KPIs
    - Define project scope and production plan
    - Determine network capabilities and security needs

- **Implementation Tactic**
    - Define budget breakout and cost restrictions
    - Bring together the right team
    - Early risk analysis and ongoing risk management
    - Proactive issue resolution
    - Active executive support throughout the project's life
    - Routine briefings to internal stakeholders

Successes and Benefits

One Team Concept! True partnership and strong customer relationship maintained pre/post production. Sustained partnership during O&M phase.

Success Metrics and KPIs
- Weekly project reviews with key stakeholders (e.g., User Manager; IT Project Lead; Software Developers; etc)
- Active User Acceptance Testing Environment

Key Performance Indicators
- Milestone checkpoints (Continuous feedback)
- Satisfying agreed deliverable dates

Key Process Improvements and Efficiencies Gained
- Ability to *efficiently* and *quickly* analyze reportable data and information
- Analyzed data can yield "root causes" and/or "systemic" issues across the company

Key Learnings and Best Practices

Feedback and Management Review

- **Key Learnings**:
  - Patience by/from all stakeholders;
  - P1; P2; P3 issue identification, fix-strategy, and resolution;
  - Active participation and support by internal IT professionals during pre/post production (*technical discussions*)
- **Best Practices**:
  - Solid documenting of task, actions, results, etc. (*Accountability & Testing*)
  - In-depth Front-end (User) and Back-end (Network)Testing (*New patch uploads*)
  - Active communication with software developers (*Weekly calls with MetricStream Support Team*)
- **The Road Ahead**:
  - Continued partnership and functionality enhancement opportunities. *Upgrade IE 2011*
  - Possible integration with other function/company applications/tools

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AUDIENCE QUESTIONS & DISCUSSION